

Answers to practice questions from Unit 1.

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| <p>1. D</p> <p>2. B</p> <p>3. E (concave/convex not something you need to worry a lot about)</p> <p>4. C</p> <p>5. C (the “free” thing is questionable)</p> <p>6. B</p> <p>7. E (all are limited and desirable)</p> <p>8. B</p> <p>9. C</p> <p>10. B</p> <p>11. A (not a question you would normally get)</p> <p>12. C</p> <p>13. C – PPCs don’t show prices. D is incorrect because the PPC already takes into account all workers – unemployed and employed. Eliminating unemployment would move from A to C for example.</p> | <p>14. C – technology and education can shift a PPC line</p> <p>15. D</p> <p>16. C</p> <p>17. B</p> <p>18. C</p> <p>19. D</p> <p>20. E – fewer total workers = fewer total resources</p> <p>21. C</p> <p>22. C</p> <p>23. A</p> <p>24. B</p> <p>25. A</p> <p>26. B</p> <p>27. D – NOT ON TEST</p> <p>28. D – NOT ON TEST</p> <p>29. E</p> <p>30. B</p> |
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Sample Test Questions

5. A decrease in the price of silicon chips used to make computers and increased production of user-friendly software will affect the price and quantity of computers in which of the following ways?

	Price	Quantity
A.	Increase	Increase
B.	Unknown	Decrease
C.	Increase	Unknown
D.	Decrease	Decrease
E.	Unknown	Increase

10. Specifically speaking, in economic terms all of the factors of production are represented by

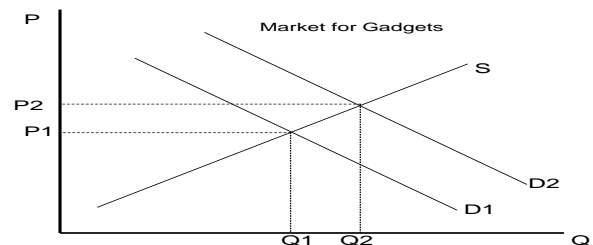
- A land, labor, capital, and money
- B human resources, natural resources, capital resources, and entrepreneurship
- C human resources, natural resources, capital resources, and time
- D land, labor, natural resources, renewable resources, non-renewable resources, and people
- E human resources, physical capital, entrepreneurship, and government resources

16. All of the following may cause a supply curve to shift EXCEPT:

- A. A government imposed quota
- B. A change in technology.
- C. A change in consumer’s expectations.
- D. A new business tax.
- E. A change in the price of resources.

9. “As the price of apples goes up, the demand for apples goes down.” The author of this statement:

- A. implies that price and demand are unrelated
- B. uses the word “demand” when he should use “supply.”
- C. uses the word “demand” when he should use “demand curve”
- D. implies that price and demand are complements.
- E. uses the word “demand” when he should use “quantity demanded”



43. How is the law of supply represented in the graph?

- A The increase from D1 to D2 caused supply to increase from Q1 to Q2.
- B The increase in Demand caused the Supply to increase from Q1 to Q2.
- C As quantity supplied increased from Q1 to Q2, price increased from P1 to P2.
- D The law of supply is not represented in the graph because it is a demand shift.
- E As price increases from P1 to P2, quantity supplied increased from Q1 to Q2.

38. If demand increases, but supply decreases

- A. Price is unknown, quantity is unknown
- B. Price will increase, quantity will increase
- C. Price will decrease, quantity will decrease
- D. Price will decrease, quantity will increase
- E. Price will increase, quantity may not change

23. If substitutes for a good are cheap and easily available, the good will tend to have

- A. elastic demand
- B. inelastic demand
- C. income effect
- D. substitution effect
- E. greater quantity demanded